

Message Text

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C O N F I D E N T I A L LUSAKA 0197

PASS EXIM, COMMERCE, DOT, USDOC, TREASURY
LONDON FOR FLOWEREE

EO 11652: GDS

TAGS: EFIN ETRD ZA

SUBJECT: VISIT OF EXPORT/IMPORT BANK OFFICIALS

REF: STATE 239270

1. SUMMARY. VISIT SUCCESSFUL IN ACQUAINTING EXIM OFFICIALS WITH GRZ DEVELOPMENT PLANS AND IN FAMILIARIZING GRZ WITH EXIM VIEWS ON SPECIFIC PROJECTS, INCLUDING IRON/STEEL MILL AND DC-70'S. MOVE-MENT IN ZAMBIAN ECONOMY AND EMERGENCE OF ATMOSPHERE MORE RECEPTIVE TO U.S. TRADE AND INVESTMENT EVIDENT IN MEETINGS WITH GRZ OFFICIALS. END SUMMARY.

2. DURING VISIT JANUARY 31 - FEBRUARY 1, EXIM OFFICIALS MITCHELL KOBELINSKI AND JOHN BIERMAN HAD DISCUSSIONS WITH MINISTERS KASHITA (MINES AND INDUSTRY) AND CHIKWANDA (PLANNING AND FINACE), PERM SECS MONZE (LANDS, NATURAL RESOURCES AND TOURISM) AND SIWO (POWER, TRANSPORT AND WORKS), BANK OF ZAMBIA GOVERNOR KUWANP AND DEPUTY GOVERNOR NKWABILO, SPECIAL ASSISTANT TO PRESIDENT LISHOMWA, LOCAL COMMERCIAL BANKERS AND OTHER BUSINESSMEN. GENERAL IMPRESSION OBTAINED IS ONE OF EAGERNESS FOR MORE AMERICAN TRADE AND INVESTMENT. WHILE DUST STILL NOT SETTLED
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FROM GOVERNMENT CHANGES, IT APPEARS NEW TEAM, PARTICULARLY

KASHITA AND CHIKWANDA, MAY PROVE MORE AGGRESSIVE AND PERSISTENT THAN THEIR PREDECESSORS IN FOLLOWING UP EXPRESSIONS OF INTENT WITH SPECIFIC ACTIONS.

3. IRON AND STEEL MILL (LUSAKA 40). EXIM VISITORS UNAMBIGUOUSLY INFORMED TOP ZAMBIAN OFFICIALS USG UNABLE PROCEED BEYOND PRELIMINARY CONSIDERATION FOR LACK OF ADEQUATE DATA. EXIM REPS SUGGESTED FULL FEASIBILITY STUDY POSSIBLE EXIM ASSISTANCE TO

DETERMINE BEST POSSIBLE IRON/STEEL PROJECT IN ZAMBIA. KASHITA AND CHIKWANDA APOLOGIZED FOR "CLUMSINESS" OF THEIR "FRIENDS" (APPARENT REFERENCE TO YUGOSLAVSPQ AND SAID THEY AGREED ENTIRELY WITH EXIM POSITION AND HAD ALREADY ORDERED SECOND, MORE SYSTEMATIC LOOK AT PROJECT ON BASIS "NORMAL" ECONOMIC CRITERIA. KUWANI POSITION MORE AMBIVALENT: SAID POLITICAL AND SOCIAL OBJECTIVES MUST BE CONSIDERED IN DECISIONS ON LOCATION OF PROJECTS. COMMENT: KUWANI OBSERVATION IS REFERENCE TO SUBSTANTIAL POLITICAL MOTIVATION THIS PROJECT WHICH OF PARTICULAR INTEREST TO INFLUENTIAL EX-MIN MINES MULEMBA NOW LEADING MEMBER OF UNIP CENTRAL COMMITTEE, COUNTRY'S POLICY-MAKING INSTITUTION. KASHITA AND CHIKWANDA TECHNICALLY MORE QUALIFIED AND MORE CONCERNED WITH ECONOMIC FEASIBILITY. CONSIDERABLE CONTROVERSY BETWEEN CENTRAL COMMITTEE AND CABINET OVER PROJECT COULD RESULT. THERE SEEMS LITTLE DOUBT, HOWEVER, ABOUT ZAMBIAN DETERMINATION TO HAVE MILL.

4. DC-10'S. AFTER SUGGESTION BY KOBELINSKI THAT FULL SURVEY BE MADE BY GRZ ON ECONOMICS OF WIDE-BODIED AIRCRAFT PROCUREMENT, ZAMBIA AIRWAYS, ACCORDING TO BOARD MEMBER KUWANI, VOTED JANUARY 31 TO BUY DC-8'S INSTEAD. BOARD HEBEITANT, HOWEVER, TO ENTER INTO PURCHASE AGREEMENT BECAUSE OF DOUBTS ABOUT ITS ABILITY TO GET SERVICING IN ROME FOR TYPE OF AIRCRAFT "IN PROCESS OF BEING PHASED OUT." KUWANI STRONGLY IMPLIED ALITALIA MANAGEMENT CONTRACT WITH ZAMBIA AIRWAYS WOULD NOT RPT NOT BE RENEWED NEXT YEAR; NEW MANAGER POSSIBLE. EXIM AND EMBOFFS EXPRESSED CONFIDENCE DC-8 MAINTENANCE FACILITIES WOULD BE READILY AVAILABLE FOR LONG TIME TO COME AND SUGGESTED GRZ APPOINT AS MANAGERISNOTHER AIRLINE FAMILIAR WITH DC-8'S BUT NOT IN ROUTE ROUTE COMPETITION WITH ZAMBIA AIRWAYS. WHILE THERE WAS HINT GRZ MIGHT SEEK UK OR CANDIAN HELP, EXIM VISITORS SUGGESTED

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SERACH FOR U.S. AIRLINE FOR THIS PURPOSE. COMMENT: ZAMBIA AIRWAYS' REVERSAL OF DECISION ON DC-10'S STEMS PRIMARILY FROM NEW UNCERTAINTIES CAUSED BY INTERNATIONAL OIL CRISIS. BELIEVE USG COULD USEFULLY ASSIST IN COUNTERACTING GRZ'S NERVOUSNESS ABOUT DC-8 MAINTENANCE BY DISCREETLY OFFERING LIST OF U.S. AIRLINES USING SAME EQUIPMENT AND PERHAPS WILLING CONSIDER MANAGEMENT CONTRACT FOR ZAMBIA AIRWAYS. REQUEST DEPARTMENT FOLLOW UP AND ADVISE POST SOONEST.

5. CFF'S. EMBASSY-SPONSORED JOINT MEETING WITH LOCAL BANKERS REVEALED PRIME IMPEDIMENT TO USE OF CFF'S IS GRZ RESTRICTION ON LOCAL BORROWING BY FOREIGN-CONTROLLED COMPANIES (I.E., 1:2 BORROWING/CAPITAL RATIO). KOBELINSKI AGREED TRY TO ASSIST THROUGH LETTERS FROM EXIM TO BANK OF ZAMBIA AND MIN OF FINANCE. ANOTHER PROBLEM RAISED - COMMERCIAL RISK INVOLVED IN LOANING TO SMALL-SCALE ZAMBIAN BUSINESSMEN - COULD BE SOLVED BY GRZ LOAN GUARANTEES SIMILAR TO THOSE OFFERED BY U.S. SMALL BUSINESS ADMINISTRATION. EXIM REPS UNDERTOOK ASSIST IN OBTAINING MATERIALS ON SBA FOR GRZ TO STUDY.

6. FUTURE PROJECTS. VISITORS CONCLUDED AGRICULTURE APPEARS TO OFFER BEST POTENTIAL FOR LARGE-SCALE PROJECTS, ALTHOUGH CLEARER GOVERNMENT POLICY IN FAVOR OF FOREIGN INVESTMENT IN THIS SECTOR WOULD HAVE TO BE FORTHCOMING BEFORE MUCH PROGRESS COULD BE EXPECTED. UNFORTUNATELY, MEETING WITH MINISTER OF RURAL DEVELOPMENT CANCELLED. KASHITA AND CHIKWANDA EXPRESSED INTEREST IN LARGE EXPANSION OF COPPER-FABRICATING ACTIVITY AS WELL AS ASSEMBLY OF MINING MACHINERY. AT REQUEST OF AMBASSADOR, TWO MINISTERS AGREED PROVIDE EMBASSY WITH LIST OF TYPES OF PRODUCTS THEY WOULD LIKE TO SEE OFFERED ON USDOC MINING EQUIPMENT TRADE MISSION IN APRIL 1974.

7: COPPER NEGOTIATIONS. LISHOMWA TOLD VISITORS OF IMPORTANCE GRZ ATTACHES TO PRESENCE OF AMAX AND ANGLO-AMERICAN AND EXPRESSED VIEW NEGOTIATION OF "READJUSTMENT IN RELATIONSHIP" SHOULD BE COMPLETED SHORTLY (LUSAKA 162).

8. INTERNATIONAL. CHIKWANDA WAS CAUSTIC IN REMARKS ABOUT ARABS' UNWILLINGNESS OFFER OIL PRICE CONCESSIONS (LUSAKA 163). KUWANI SAID U.S. SECRETARY OF TREASURY SCHULTZ NEVER ENJOYED CONFIDENTIAL

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SO MUCH SUPPORT AMONG LDC'S AS HE DID AT ROME, SINCE HE CLEARLY APPRECIATED HOW MUCH THEY WOULD SUFFER FROM CHANGED OIL SITUATION.

9. COMMENT: BELIEVE EXIM VISIT OFFERED TIMELY OPPORTUNITY GAIN BETTER INSIGHT INTO PLANS AND OBJECTIVES OF NEW GOVERNMENT. WHILE PROBLEMS OF DOING BUSINESS IN ZAMBIA ARE TILL EVIDENT, ONE GETS FEELING OF MOVEMENT UNDER COMPETENT LEADERSHIP FOR FIRST TIME IN MONTHS. NOTHING EMERGED FROM TALKS TO UNDERMINE OUR VIEW THAT MAJOR EXPANSION IN U.S. SHARE OF THIS GROWING MARKET IS POSSIBLE IF EXPORTERS ARE AGGRESSIVE AND WILLING TO INVEST TIME AND TRAVEL IN APPRAISING ZAMBIA'S NEEDS.

10. FOR LONDON. RE LONDON 610, PARA 4, BELIEVE KUWANI SHOULD INFORM BILLYMYER DIRECTLY ON DC-10 DECISION.

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